

Message Text

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71

ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-02 L-03 NSC-10

PA-03 PRS-01 SS-15 USIA-12 EA-11 RSR-01 /164 W

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R 021806Z JUL 73

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 7996

INFO AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

UNCLAS BRUSSELS 3680

E.O. 11652 N/A

TAGS: EFIN, BE

SUBJECT: BRUSSELS FOREX MARKET

1. BELGIAN FRANC SHOWED SLIGHT STRENGTHENING VIS-A-VIS DOLLAR AND DM OVER WEEKEND. OFFICIAL (COMMERCIAL) DOLLAR RATE JUNE 29 MIDDAY FIXING WAS BF 36.05 WHICH DROPPED TO BEF 35.83 AT JULY 2 FIXING. FINANCIAL RATE PERFORMED SOMEWHAT BETTER, IN NEIGHBORHOOD OF BF 35.60 (DROPPING AS LOW AS BF 35.20 FOR SMALL PERSONAL PURCHASES) ON JUNE 29 AND RISING TO BF 26.10 ON JULY 2. DM WAS AT BF 15.0 AT JUNE 29 FIXING AND AT BF 14.95 ON JULY. ACCORDING TO NATIONAL BANK NORWEGIAN KRONER ALSO SHOWING SOME SIGNS OF WEAKING IN RELATION TO OTHER EUROPEAN CURRENCIES.

2. MARKET ACTIVITY IN BRUSSELS LIMITED, PARTICULARLY FORWARD PURCHASES WHICH VERY THIN. BEGINNING OF LONG SUMMER HOLIDAY SEASON MAY BE PARTIALLY RESPONSIBLE.

3. FOLLOWING REGULAR FRIDAY (JUNE 29) MINISTERIAL MEETING BELGIAN MINFINANCE DE CLERCQ MADE SHORT STATEMENT ON DM REVA-
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LUATION.

HE EMPHASIZED THAT REVALUATION DECISION WAS JUSTIFIED BY RECENT DIFFICULTIES IN MAINTENANCE OF EUROPEAN MONETARY "SNAKE" AND WAS MADE ONLY AFTER CONSULTATION WITH OTHER EC GOVERNMENTS. HE CONCLUDED BY STATING THE GOB, AFTER CONSULTATION WITH GOVERNMENT OF LUXEMBOURG, HAD DECIDED NOT TO TAKE ANY SPECIAL MEASURES OF THEIR OWN IN RESPECT TO GERMAN REVALUATION.

4. BELGIAN PRESS COMMENT ON DM REVALUATION FAIRLY PREDICTABLE, WITH GREAT EMPHASIS PLACED ON EUROPEAN COMMUNITY CONSULTATION AND TO ESSENTIALLY "EUROPEAN" NATURE OF MOVE WHICH HAS HAD PRIMARY OBJECTIVE SUPPORT OF THE EC "SNAKE" WHICH IS THE "ONLY EXISTING POINT OF INTERNATIONAL MONETARY STABILITY". (LIBRE BELGIQUE). IN SAME UNSIGNED EDITORIAL, LIBRE MADE NUMBER OF OTHER COMMENTS WHICH NO DOUBT REFLECT GOB THINKING. COMMENTING ON EFFECT OF DM REVALUATION, LIBRE SAID THAT GERMAN EXPORTS HAD, DESPITE THEORY TO CONTRARY, "ADJUSTED VERY WELL INDEED TO PREVIOUS REVALUATION" AND THERE WAS NO REASON TO BELIEVE IT WILL NOT DO SO AGAIN.

5. LIBRE THOUGHT THAT "THE REVALUATION OF THE DM WILL NOT CREATE ANY SIGNIFICANT CHANGES ON THE COMMERCIAL SCENE. JAPANESE PRODUCTS WILL NO DOUBT BE MORE COMPETITIVE IN COMPARISON WITH GERMAN EXPORTS; BUT IN EUROPE AT LEAST, REGULATORY BARRIERS ARE NOT LACKING TO PREVENT A TIDAL WAVE OF JAPANESE SALES. IN REGARD TO THE COMMUNITY ITSELF, THE VARIOUS NATIONAL ECONOMIES ARE ALREADY SO INTERTWINED THAT IT IS ALMOST IMPOSSIBLE TO DETERMINE WHO WILL PROFIT FROM THE REVALUATION."
STRAUSZ-HUPE

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